



**THE INFLUENCE OF CROSS-CULTURAL ADJUSTMENT  
AND PERSONAL VALUES ON EXPATRIATES  
PERFORMANCES IN SERVICE INDUSTRIES IN  
MALAYSIA: MEDIATED BY PSYCHOLOGICAL  
OUTCOMES AND MODERATED BY SOCIAL SUPPORT  
NETWORK**

**BY**

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## **ABSTRACT**

Working in a culturally different environment in the globalized and diversity world has always been a challenge by the expatriates and are the major factors contributing to expatriate's failure. The choice of right expatriates in terms of personalities, intercultural training, communication, adapting the learning abilities and skills which has been regarded to increase expatriates' performances resulting from the individual's nationality and background in their hosted country i.e. Malaysia particularly in the services industry such as trading, education, services, food and beverages, hospitality and services. The research was conducted due to the rapid increase of expatriates employed under services industry in Malaysia. Further this study focused on expatriates whom must have been on assignment in Malaysia for at least six months and have a moderate proficiency in English to complete the survey. Therefore, this paper aims to identify the gap between cross cultural and personal values over the expatriates' performances and psychological outcome, as we are still lacking of profound empirical studies about antecedents of perceptions on diversity and its relationship on job performances of expatriates in the services industry in Malaysia. The psychological outcome was tested as mediator while the social support network was tested as the moderator on its effectivity in improving the employee's performance by enhancing employee's psychological well-being. This study has adopted stratified sampling method as it has measured split population with a variety of attributes for determining whether population has to be chosen, based on certain criteria i.e., gender, country of origin, age, designation and marital status, which is a true representation of the existing population from 240 expatriates within different region of Asian, Europe, American and Middle East. The data was analyzed using Partial Least Square-Structural Modelling (PLS-SEM) as it was found to be the most suitable statistic tool to measure many variables. The findings revealed that all hypothesis supported for this study, thus exist positive relationship between all variables.

## خلاصة البحث

كان العمل في بيئة مختلفة ثقافياً في العالم الذي يتسم بالعولمة والتنوع تحدياً دائماً من قبل المغتربين وهي العوامل الرئيسية التي تسهم في فشل المغتربين. كان اختيار المغتربين المناسبين من حيث الشخصيات، والتدريب بين الثقافات، والتواصل، وتكييف قدرات ومهارات التعلم التي اعتبرت لزيادة أداء المغتربين الناتجة عن جنسية الفرد وخلفيته في بلدهم المضيف، أي ماليزيا خاصة في صناعة الخدمات مثل التجارة، والتعليم، والخدمات، والأغذية والمشروبات، والضيافة والخدمات. لقد أُجري البحث بسبب الزيادة السريعة في عدد المغتربين العاملين في صناعة الخدمات في ماليزيا. علاوة على ذلك، ركزت هذه الدراسة على المغتربين الذين يجب أن يكونوا في مهمة في ماليزيا لمدة ستة أشهر على الأقل ولديهم إتقان معتدل في اللغة الإنجليزية لإكمال الاستبيان. لذلك، تهدف هذه الدراسة إلى تحديد الفجوة بين القيم الثقافية والشخصية على أداء المغتربين والنتائج النفسية، حيث لا تزال نفتقر إلى دراسات تجريبية عميقة حول سوابق تصورات التنوع وعلاقته بالأداء الوظيفي للوافدين في الخدمات الصناعة في ماليزيا. وتم اختبار النتيجة النفسية كوسيط بينما تم اختبار شبكة الدعم الاجتماعي كمشرف على فعاليتها في تحسين أداء الموظف من خلال تعزيز الرفاه النفسي للموظف. اعتمدت هذه الدراسة طريقة أخذ العينات الطبقية حيث قامت بقياس عدد السكان المنقسمين مع مجموعة متنوعة من الصفات لتحديد ما إذا كان يجب اختيار السكان، بناءً على معايير معينة، مثل الجنس، وبلد المنشأ، والعمر، والتسمية والحالة الزوجية، وهذا تمثيل واقعي للسكان الحاليين من 240 المغتربين داخل منطقة مختلفة من آسيا وأوروبا وأمريكا والشرق الأوسط. تم تحليل البيانات باستخدام النمذجة الإنشائية الجزئية ذات التربيع الأقل (PLS-SEM) حيث تم العثور عليها لتكون الأداة الإحصائية الأكثر ملاءمة لقياس العديد من المتغيرات. قد كشفت النتائج أن جميع الفرضيات المدعومة لهذه الدراسة، وبالتالي وجود علاقة إيجابية بين جميع المتغيرات.

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## DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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# CHAPTER ONE

## INTRODUCTION

### 1.0 INTRODUCTION

Globalization has created the need for a change of employment pattern by placing expatriates in international work roles. Companies have brought about a tremendous change into the world's business across the regions with different continents of the world. Asia represents a critical context for the expatriation research agenda due to the high, and growing, number of expatriates in the region (Sorndee et al., 2017). Therefore, it is important to understand the background factors that contribute either positively or negatively to the adjustment and ultimate success of Asia-based expatriates. One of the chief factors in delaying or even obstructing expatriate adjustment more broadly is the difficulties involved in accommodating oneself to new cultures (Hemmasi & Downes, 2013; Sorndee et al., 2017). Expatriates are typically being introduced to a completely new set of cultural way of life and experiences, therefore have little knowledge of how to engage and interact effectively with their host culture (Harvey & Moeller, 2009). Their inability to effectively blend with the foreign culture can have negative consequences for the corporation in the form of hampered client relationships, missed opportunities, and a diminished company reputation.

Cross-cultural adjustment or rather “the adjustment of an individual to a new cultural, social and work environment” (Davies et al., 2015), has becoming a central concept in expatriate research (Nolan & Morley, 2014). Previous studies have indicated a particularly strong association between Asian countries and cross-cultural adjustment (Peltokorpi & Froese, 2012). While we recognise that such research has undeniably helped in advancing our understanding of the expatriate experience, it nevertheless

restricts our ability to generalise to more culturally diverse Asian countries. Our study involved in Malaysia as the context of our study due to the profound variation in cultural values and norms, both inside and outside the workplace (Richardson et al., 2016).

Globalization has increased opportunities for people to work in organizations outside the boundaries of their home country as expatriates (Collings et al., 2007) and the necessity for continuous growth and improvement has led companies to introduce workforce diversity particularly for expatriates and for the companies to experience cross cultural adjustment and diversity. These consist of team members from diverse nationality and cultural backgrounds. The diverse team members can provide knowledge of international markets, specific technologies, transfer of knowledge and technology and their styles, which depend on their personal background and lifestyle from countries all over the world. As expatriates are often assigned to a location that is culturally disparate from their home country, both the expatriate and the expatriate family unit are confronted with an alien culture, necessitating the need for assistance of both formal and informal support systems to aid in the acculturation process. Expatriation represents the most expensive staffing strategy for any company while organizations may perceive expatriation as an attractive method for accumulating foreign markets; they face challenges of selection and management of the most appropriate individuals without having to fail the assignment.

For the globalization and expatriation exercise to be successfully implemented in any organization, they would require a global business strategy which also requires an entirely global human resource system, a great expatriation coordination and globally competent people. In essence, expatriates who possess certain pertinent qualities such as extroversion and open-mindedness are usually better placed to acquire and process information about, for instance, local thought and behavioural processes particularly in the host country (Black, 1990; Huang et al., 2005; Wang et al., 2013). Though expansion

has increased competition for talented workers and driven an increasing amount of talented employment for expatriates to manage business operations overseas, nevertheless the literature is still showing that expatriation poor job performance is related to poor cultural adjustment in new foreign locations. Expatriate adjustment is considered crucial both for the success of the organization and the individual and refers to the level of comfort that the individual experiences in an alien culture, one that is different from one's own (Shaffer et al., 2016). It is therefore essential to ensure that companies' potential candidates for overseas job assignments are ready mentally and physically so that employing expatriates would not be a failure to the receiving company to manage business operations. There is unfortunately a high failure rate as a huge number of expatriates return home before completing their overseas assignments and this is due to various reasons.

Since it is well known that expatriation represents the most expensive staffing strategy thus the company should have sufficient knowledge on retaining the expatriates in their organization to avoid frustration and disappointments.

## **1.1 BACKGROUND OF STUDY**

Most dynamic companies are looking for people who are different from them because the diverse workforce particularly their expatriates may bring different talents, interests and viewpoints to the company and its people at large (Simmons, 1996). This will enable the company to go the extra mile for better growth and opportunity in terms of company's progression. The organization has also failed to address broader human resource issues and value diverse expatriates in their organization. They have clearly failed to benefit from the cross-cultural adjustment effect of learning outcomes and growth opportunities. It was said by many researches that though there are many factors that influence the failures of expatriate assignments the most common factor is poor cross-cultural

adaptation or adjustment of the employees in their host country (Jassawalla, Truglia & Garvey, 2004).

In a nutshell, expatriate are executives who do global work. With so many kinds of global work, depending on the mix of business and cultural crossings involved, there is clearly no one type of global executive. They are well positioned, are more or less global depending upon the roles they play, their responsibilities, what they must get done, and the extent to which they cross borders (Schwandt & Marquardt, 2000). Therefore, an expatriate is any individual who works outside their country of birth but does not immigrate to the country where they work. As the needs of international management grows, the use of expatriates to run foreign operations is increasing as well (Scullion, 1991). There are three major reasons for using expatriates: (1) technical competence; (2) management development; and (3) control, (Daniels & Radebaugh., 1994). The need for technical competence is reflected in the tendency for companies to use expatriates in countries where management talents are not available. The second reason for using expatriates is for the purpose of management development. Expatriation is part of the career development process since multinational experience can reinforce the international perspectives of upwardly mobile managers. It can also enhance a manager's ability to work in a variety of social systems and is therefore considered valuable training for ultimate corporate responsibility (Schwandt & Marquardt, 2000). The third reason for using expatriates is to have close control of foreign operations. Expatriates are considered to be more familiar with the corporate culture of a company, which results in more effective communications and coordination. Therefore, as companies are developing international expansion strategies, the need to use more expatriates for control purposes grows (Daniels & Radebaugh, 1994). Despite the important role that the expatriates can play, many of them have not realized their full potential contributions and have a narrow and myopic view of how they can be used and who should be involved

with them (Black et al., 1992). Historically, firms have sent managers and professionals overseas to fill positions on a seemingly ad hoc basis; they have paid little attention either to their selection and training or to the role they could play in the overall organization (Boyacigiller, 1990). This approach created inherent problems. Individuals sent overseas without adequate training often failed, thereby incurring substantial costs to these companies (Li, 1995).

Hence, learning about different cultures, becoming aware of cultural differences, and having competence in cross-cultural communication is basically a must for all expatriates working outside their country of origin to be able to communicate and interact with their peers and friends. Many employers have had difficulties in managing expatriates being unable to execute their tasks properly or even quit their jobs due to their inability to adapt. It would be very helpful if these factors, mainly cultural, could be recognized and studied in depth to identify better solutions. Therefore, enhancing their cross-cultural adjustment and strengthening their ability to understand and appreciate multiple cultural perspectives is very important to ensure that they are able to fully adapt themselves in their host country. The diversity however may have a significant impact on the performance and psychological outcomes to the individual and company at large. Some major advantages that companies can gain from the professional expatriates are maintaining business relationships with host country stakeholders, penetrating local markets and increasing productivity of foreign subsidiaries (Dowling, Welch & Schuler, 1999).

The challenges faced by the professional expatriates are mainly on the cultural adjustment and job performance in the host country. When the expatriates do not adjust to the new environment, their assignment tends to fail (Shaffer & Harrison, 1998; Caligiuri, 2000). This failure can be related to a few aspects such as communication, interaction, learning barrier, ethnicity etc. As a result of this cultural adjustment, a

considerable focus has been given to identifying the factors that influence cultural adjustment and the successful completion of an assignment (Black, Mendenhall and Oddou, 1991; Shaffer & Harrison, 1998). The dimension of performance during assignment consists of the following facets: production (goals achievement and the management of efficiency); management of local employees (suitable leadership to achieve goals); and the reading of the environment (Cheng & Lin, 2009).

Apart from the above, language has been also the main obstacle with the locals. When the expatriates have difficulties using English, it may complicate engagement with the host society and country (Dao, Lee & Chang, 2007). English is the lingua franca among the expatriates, so a high English proficiency is likely to facilitate expatriate involvement. Previous researchers have claimed that other than host language proficiency (other than English) is rarely studied (Kagnici, 2012; Ozer 2015). Having said the above, there is little empirical proof for the claim of higher expatriate failure rates when measured as early returns. There are several articles relating to expatriate failures which concluded that there is a very limited number of solid empirical studies to support the claim of very high expatriate failure rates and suggested that the researchers refrain from any exact data on expatriate failure rate (Harzing, 1995). On the other hand, the importance of expatriate failure rates and recommended that more empirical research to be conducted on expatriate failure rates to ascertain the actual failures (Harzing 1995). There is unfortunately a huge number of expatriates returning home before completing their overseas assignments. This high failure rate has not improved over the last decade, yet the companies continue to send more employees abroad to manage their foreign subsidiaries (Forstenlechner, 2010; Tharenou, 2008). The newly arrived expatriates will encounter different political, legal and social environments. This new situation certainly generates stress, fatigue and maybe aggravated by the expatriates maladjustment, further increasing the pressure being experienced, which will result in negative attitudes towards

the assignment abroad and the feeling of dissatisfaction, negatively impacting the expatriate's relationship with work and undermining their performance in the new company (Kraimer et al., 2001; Shih et al., 2010).

Many organizations hire expatriates without a clear understanding of how these individuals would adjust to their host countries. Thus, a better understanding of the expatriate's obstacles encountered in the host country while attempting to adjust to the new culture and working environment can help these organizations minimize the costs related to replacing these expatriates in the short term. Hence it is important for the expatriates to culturally adjust themselves to enable him or her to successfully perform their assigned task. In dealing with the issue of expatriates and culture, it has been long recognized that behavioural differences explain the justification on people from different countries and continents. Expatriate adjustment is considered crucial both for the success of the organization and the individual and refers to the level of comfort that individual experiences in an alien culture, one that is different from one's own (Shaffer et al., 2016).

Exploring the key challenges currently encountered by the employed expatriates would better prepare their host organizations in terms of, allowing them to develop and implement systems and policies that assist them in their future hiring initiatives. Clearly, the goals are to identify the expatriates with the most suited abilities for the advertised role and encourage them to stay with the company long after the international assignment has been completed. This ensures that they become a valuable resource for the company, so that they can capitalize on their knowledge and experience gained on the international assignments to create a global thinking within the company largely.

However, determining the influence of cross-cultural adjustment on behaviour is not an easy task, as culture is a multifaceted and broad construct which is difficult to accurately measure. In order to simplify the mechanism and to allow some aspects of

culture to be more easily applied, previous researchers have suggested using cultural indices (Hofstede, 1980; Schwartz, 1994).

## **1.2 EXPATRIATES IN MALAYSIA**

The term *expatriate* is used in the international management literature to “label” employees on different types of foreign work assignments sent by multinational corporations (Richardson & Mallon, 2005). An expatriate is an individual who moves abroad on an extended work assignment (Shaffer, Kraimer, Chen & Bolino, 2013). An expatriate is also defined as an individual who is able to successfully deal with conditions presented by working in subsidiary organizations outside of their home country (Janssens, Cappellen, & Zanoni, 2006). In layman terms, an *expatriate*, is defined as someone sent by their organizations to manage or cooperate with others on an international assignment for specified duration of time. They are usually sent to a wide professional coverage of multinational corporations (MNCs), transnational corporations (TNCs), multinational organizations (MNOs), and smaller companies involving different industry sectors depending on their expertise and job requirement needed by the host country.

There are three types of expatriates considered in the literature; traditional, non-traditional and self-initiated expatriates. Traditional expatriates are generally Western senior/executive males aged 40-50 years and are mostly accompanied by their wives and children (Cerdin and Brewster, 2014). Non-traditional expatriates on the other hand are mostly females’ executives, early (<30 years) and late (>60 years) career individuals, single individuals, same-sex couples, and couples without children sent on international assignment through their multinational organization (McNulty, 2013; Shaffer et al., 2013). Lastly, self-initiated expatriates are highly skilled professionals or knowledge workers who actively pursue employment abroad (McNulty, 2013). The concept of expatriates has recently evolved to include different forms of ‘patriates’ (McPhail,

Fisher, Harvey & Moeller, 2012). These forms of 'patriation' are largely defined by the length of the assignment (as in flex-patriates; Shaffer et al., 2013), the origin of the expatriates (as in inpatriates; Reiche, 2011), or the return at the completion of their assignment (as in repatriates; Shaffer et al., 2013). All of which can include highly skilled professionals, (as in pro-patriates; Mc Phail et al., 2012). However, if the assignment is prolonged within the same or other international context (as in glo-patriates; McPhail et al., 2012). Thus, in essence the expatriates who are sent to represent their organization and country are the actual entity that represents organizations to carry out assigned tasks. Thus, the individuals who work on behalf of organizations in foreign locations must function well across both national and cultural boundaries for the organizations to succeed.

In the context of Malaysia, expatriates and foreign workers are governed under two very dissimilar sets of rules and privileges. Expatriates are defined as skilled, managerial, professional, and technical workers, and can stay in the country for long-or short-term periods; they have their own sets of rules and privileges. Foreign workers are defined as semi-skilled or unskilled migrant workers and are called migrant workers by employers and the legal system. They are brought to the country as 'guest workers' or 'contract workers' and are managed by different rules and regulations than expatriates, in so far as types of passes, tenure, levies, and rules are concerned. The official distinction between the expatriates and semi-skilled or unskilled migrant workers is based on a monthly salary cut-off point that is currently set by the authorities.

As an immediate solution to the existing problem in Malaysia, expatriates are allowed to be recruited mainly in-service industries, construction, IT, education, medical, tourism etc. From the survey made by HSBC's new expatriates explorer survey in 2018, it was found that more than half i.e. (55%) live in a better home-living property in Malaysia than in their home country and have the means to take more holidays, (28%)

have more domestic help, while (18%) even said they donate more to charity. Most of the expatriates with an average of more than 27,500 expatriates working in Malaysia has revealed that approximately (41%) of expats globally adopted a more positive outlook on life after moving abroad, with (44%) becoming more physically active in Malaysia. In Malaysia, the expatriates experience was found to be a sociable one (61%) saying they found it easy to make friends – compared to (53%) globally and (55%) regionally. In terms of active social life, (44%) say they have better social lives now than they did at home compared to (31%) globally and (40%) regionally ([www.expatexplorer.hsbc.com](http://www.expatexplorer.hsbc.com)).

Children have also benefitted from the expatriate's experience. Malaysia ranked eighth for making new friends with (43%) revealing that their children formed new friendships easily. At the same time, parents often find setting up childcare and schooling easier in Asia – (52%) in Malaysia, and (41%) in Singapore, against a global average of (39%) saying that it is easy to set up childcare and schooling for their children in their host country. Parents in Malaysia, (46%) also found it less expensive to raise children in their host countries against a global average of (22%). Overall, (44%) of all expatriates living in Malaysia said they are happier since the move.

This measure was taken to avoid the disruption of economic growth process particularly in local labour employment. The Ministry of Home Affairs Malaysia's statistics revealed that there has been an increase in the number of expatriates employed in Malaysia from 2000 up to 2016 totalling up to 166,817 and more than half are engaged in the service industries.

Table 1: Number of Expatriates in Malaysia by industry as at March 2016

Industry	2016
Service	73,423
Construction	28,171
Information Technology	27,255
Medical	26,108
Education	4,310
Trading	1,091
Tourism	199
TOTAL	160,557

Source, Ministry of Home Affairs (<http://www.epu.gov.my/en/economic-statistics/population-and-labourforce>)

### 1.3 EXPATRIATES

This study focuses on a developing country, Malaysia, mainly due to the scarcity of robust literature regarding the adjustment of expatriate family members in this country and secondly, due to the rising amount of foreign direct investment (FDI) inflow and a steady increase in the number of expatriates coming there. However, despite the continuous increase in the FDI inflows, Asia in particular represents a challenging posting for many foreign managers. There are three main purposes for international assignments: (a) skill and knowledge transfer; (b) building managerial capacity; and (c) aligning the organizational cultures between the headquarters and the foreign subsidiary. Within all three, the expatriates are assumed to be the expert, acting as the representative of the headquarters of the multinational, to transfer, maintain, and enforce the multinational's (the expatriate's own) culture to the subsidiary. Here, employees and colleagues would largely follow their lead, as the expatriate guides them towards best practice in line with the requirements of the multinational (Lineberry, 2012). Wide differences between the

cultural perspectives and mannerisms may pose awkward and baffling situations for those who are relocating to this part of the world. There are quite a high number of expatriates from all over the world employed in various industries in Malaysia. Expatriates are usually skilled professionals and knowledge workers who are well remunerated (Oltra, Bonache & Brewster, 2013). Expatriates living in Malaysia can be classified as powerful minority as they are typically having access and enjoying all the benefits to social (e.g., school, shopping), economics (e.g., credit facilities for housing, car, personal loan, etc.), and public (e.g., healthcare) and other general services. Expatriates in Malaysia stereotypically belong to the upper-middle to upper class strata of the host society.

Based on the statistics of the Malaysian Immigration Department, the number of professionals working as expatriates and residing in Malaysia has increased to 90,000. The expatriates in Malaysia come from all over the globe namely, Asian countries (Southeast Asia, East Asia) such as India, China, Hong Kong, Vietnam, Singapore, Myanmar, Korea, Japan and China and also European and Western nations such as the UK, United States of America, France and also Middle East such as Lebanon, UAE, Jordan, Syria, Turkey to name a few. Their expertise are mostly in the education, engineering, medical and health, construction, food and beverages and other services industries. Usually the expatriates would serve their company for a duration of 3-5 years maximum and would be given a lot of fringe benefits as they have special expertise and skills and are certainly contributing to the development of the company largely. At times, they are given a longer duration of employment in Malaysia subject to their skills and expertise in the work or job nature.